April 6, 2009

Mark Wilbur, President and CEO
Employers Group
1150 S. Olive St., Suite 2300
Los Angeles, CA 90015

Dear Mr. Wilbur:

RE: FINAL MONITORING REPORT for Employers Group – **ET07-0387**

Date of Visit	03/11/09
Time of Visit	9:00 a.m. – 12:00 p.m.
Location of Visit	Los Angeles
Persons in Attendance	Jeffrey Hull, Director of Learning Services, Employers Group Naomi Weingart, ETP Contract Analyst
Date of Last Visit	05/08/08
Action Required	No

CONTRACT INFORMATION

Term of Agreement	06/05/07 – 06/04/09	**Agreement Amount**	$1,195,052
Type of Trainee	Retrainee	**Number to Retain**	1,416
Training Start Date	06/13/07	**Range of Hours**	8 - 120
Date Training Must Be Completed	03/06/09	**Weighted Avg Hrs**	28 - 54

TRAINING STATUS

Project Statistics Provided by the Contractor and ETP online system:

Trainees Started Training	1,717	Completed Training	1,328
Trainees Enrolled	1,717	Completed Retention	1,116
Dropped Following Enrollment	205	In Retention Period	0
Completed Min Reimbursable Hs	1,485		

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Project Statistics by Job Number (as of 04/02/09):

Job Number	To be Retained	Started Training and Enrolled	Drops	Completed Minimum Hours	Completed Training	Completed Retention
1 Retraining Large Non-Priority	260	445	52	375	212	212
2 Retraining Large Priority	544	971	134	828	837	742
3 Retraining Large Non-Priority SET Hi Wage	70	35	0	35	31	31
4 Retraining <100 Non-Priority	56	43	6	37	38	38
5 Retraining <100 Priority	92	52	1	51	47	47
6 Retraining <100 Priority 8 hours	177	83	7	76	80	33
7 Retraining <100 Non-Priority 8 hours	139	88	5	83	83	13
8 <100 Non-Priority SET Hi Wage 8 hours	78	0	0	0	0	0
Totals	1,416	1,717	205	1,485	1,328	1,116

There are currently 610 active trainees. Some will be invoiced and some will be dropped by closeout.

Training Status (continued):

Training began June 13, 2007 and ended March 6, 2009. One Agreement Modification was processed in May 2008 to redistribute training slots and funding among several job numbers, and to add jobs numbers for small business training at a minimum of 8 hours. During this contract, certification for retrainees employed less than 90 days was discontinued; and small business reimbursement was no longer subject to change based on the location of training (i.e. center-based training can now be delivered to small businesses with no reduction in funding).

According to Mr. Hull, most of the training your organization provided was in Continuous Improvement, followed by Business Skills, Computer Skills, Manufacturing Skills, and VESL. Based on written evaluations, employers found that teamwork, communication, and collaboration skills among workers all showed positive results; conflict resolution skills improved; lean manufacturing took hold and helped employers streamline internal processes; and trainees' analytical skills were strengthened.

The ETP online Class/Lab Tracking system shows that you delivered a total of 46,580 training hours. If all trainees meet performance requirements, potential earnings appear to be approximately $911,393, or 76% of your funding amount. To date, ETP has reimbursed you $743,577.90 in progress and final payments, with approved earnings of $368,194, leaving a difference of $375,383.90 in unearned funds. Based on current data, Mr. Hull believes that a 65% completion might be more realistic, and anticipates earning all outstanding funds. He is aware that the final closeout should be done within 30 days of the contract expiration date.

Mr. Hull stated that most of the participants were large, priority and non-priority businesses. Small employers took advantage of the program, but not in the expected numbers since many were actually part of larger companies and could not qualify for short programs under 24 hours in which they were interested. Mr. Hull reported that a significant number of drops were due to current economic conditions resulting in layoffs and uncompleted training programs. While some employers found additional time to train in a slower economy, others chose not to implement previously planned training, or did not have time to train.

Mr. Hull did not mention any problems with ETP monitoring. He did, however, give the Monitor several interesting suggestions for improving ETP online systems and procedures for multiple employer contractors:

- Chart 1: Redesign Chart 1 so that there is only one job number for all training, and assign different payment codes to different types of reimbursement (standard, SET, priority, non-priority, large employer, small employer, etc.). Or, in lieu of different rates, set one fixed reimbursement rate for MEC contracts for any and all types of trainees. There are so many reimbursement rates for a MEC, that it becomes difficult to enroll trainees into the right job numbers and track potential earnings.

- Support Costs: Since the cost per training hour actually includes support, the 8% and the total per hour reimbursement rate (cost per hour + support) should be noted in the Agreement. It was also suggested that we round off support funding to facilitate accounting.

- Modifications: In the absence of a new Chart 1, devise a better way to modify Agreements to redistribute trainees and money among job numbers and/or to add funding when there is no new phase.

Training Status (continued):

- Contract Status Report: When there are several job numbers with several occupations each, delete the job titles to shorten the report.

- Trainee Reports: It would be helpful to have a report that showed all individual trainee reports by CEAN.

- Error Correction: Fixing some errors is too complicated, i.e. moving trainees from the wrong job number into the right job, and correcting SSNs. Having to entirely delete trainees and their hours from the system and start all over is time consuming.

- Potential Earned Report: Make this report available to Contractors.

- Invoicing: a P2 upload requires Contractors to enter total training hours, but doesn't use the information. ETP takes total hours directly from the Class/Lab Tracking system instead, but does not inform the Contractor of any differences. Either (1) delete total training hours on an upload spreadsheet; or (2) compare the Contractor's data to online data and generate an error message, so the Contractor can correct the spreadsheet.

ATTENDANCE ROSTERS/INVOICES

The Monitor reviewed records for 213 trainees that were billed for completion of training (P2) on Invoices 9, 11, 19, and 21. ETP requirements were generally met and properly documented on the sampling: the Training Plan was followed; the curriculum was provided as specified in Exhibit B of the Agreement; classes fell within the approved trainer to trainee ratio; and data in the online Class/Lab Tracking system was accurate.

These findings are based only on the training records reviewed during this visit and represent only a sample of the training records completed to date. It is your responsibility to ensure that 100% of all training records are in compliance with Panel requirements prior to the closeout of this Agreement (Reference: Title 22 California Code of Regulations, Section 4442).

AUDIT

Employers Group will be notified in writing if this Agreement is selected for a field audit (conducted at your worksite) or a desk audit (conducted by telephone). Audit Notification and Confirmation letters will be sent in advance to allow ample preparation time, and will include a list of documentation that the auditor may examine. Original training attendance documentation is required; photocopied records are not acceptable. Listed below are types of records typically requested during an ETP field audit:

- Training attendance records such as rosters and sign-in sheets;
- Payroll records of individual trainees to verify wages and hours worked;
- Personnel records regarding occupations and dates of employment;
- Documentation of employer paid health benefits (if applicable); and
- Cash receipts to verify receipt and accounting of ETP funds.

RECORD RETENTION

Records must be retained within your control and be available for review at your place of business within the State of California. This responsibility will terminate no sooner than four (4) years from the date of the termination of the Agreement or three (3) years from the date of the last payment by ETP to the Contractor, or the date of resolution of appeals, audits, claims, exceptions, or litigation, whichever is later.

Please contact your Monitoring Analyst within ten working days at (818) 755-3633 or nweingart@etp.ca.gov if you have any questions or comments.

Sincerely,

Signature on File

_____
Wally Aguilar, Manager
Los Angeles Regional Office

Signature on File

_____
Naomi Weingart, Contract Analyst
Los Angeles Regional Office

Cc: Jeffrey Hull, Director of Learning Services, Employers Group (email)
        David Guzman, Chief, ETP Program Operations Division (email)
        ETP Master File
        ETP Project File

Date report mailed to Contractor ___04/08/09_____